

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6330

BILL NUMBER: SB 301

NOTE PREPARED: Nov 22, 2002

BILL AMENDED:

SUBJECT: Knox County Innkeeper's Tax.

FIRST AUTHOR: Sen. Waterman

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

LOCAL IMPACT	CY 2003	CY 2004	CY 2005
Local Revenues	33,000	81,000	83,000
Local Expenditures			
Net Increase (Decrease)	33,000	81,000	83,000

Summary of Legislation: The bill allows the county council to increase the maximum rate of the Knox County Innkeeper's Tax from 3% to 5%. The bill requires any ordinance increasing the tax rate to specify an effective date for the increase that is not earlier than 30 days after the adoption of the ordinance.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The Innkeeper's Tax is collected locally by the county treasurer. Revenues are deposited into the Tourism Promotion Fund. A rate change should not require any additional expenditures for tax collection or administration of the Tourism Promotion Fund.

Explanation of Local Revenues: *Summary:* Under the bill, raising the tax rate from 3% to 5% would

increase revenue by approximately \$33,000 in CY 2003, \$81,000 in CY 2004, and \$83,000 in CY 2005.

The following table illustrates the increase in revenue projected for the county from CY 2003 through CY 2005. The columns contain revenue estimates at the current 3% tax rate and at the new 5% tax rate under the bill. The last column (C) gives the incremental impact of the rate change (Column B minus Column A). The table also reflects adjustments for the effective date of this bill. Based on recent economic performance, the growth of Innkeeper's Tax revenue for this estimate used the November 14, 2001, state revenue forecast growth rate for the Sales Tax of 2.6%. This growth rate was used to project the CY 2003, 2004, and 2005 revenue estimates.

Projected Revenue Impacts of Innkeeper's Tax Rate Change in Knox County			
CY	A. Revenue at Current Rate	B. Revenue under Proposal	C. Impact of Proposal
2003	\$118,000	\$151,000	\$33,000*
2004	\$121,000	\$202,000	\$81,000
2005	\$124,000	\$207,000	\$83,000

*Assuming an effective date of April 2003, revenue collections could begin in July and would be remitted to the county treasurer in August.

Background: Knox County currently imposes the Innkeeper's Tax at a rate of 3%. Revenue collected in FY 2002 was \$116,790.

State Agencies Affected:

Local Agencies Affected: Knox County Treasurer.

Information Sources: Knox County Treasurer's Office, (812) 885-2506.

Fiscal Analyst: Chris Baker, 317-232-9851